

18 January 2013

Jonathan Young
Chair
Commerce Select Committee
Parliament House
Wellington

Dear Mr Young,

Submission on Financial Reporting Bill

1. Introduction

1.1 The Financial Services Council ("FSC") is the industry association for the companies that issue and manage life insurance, superannuation and managed funds in New Zealand. FSC members are responsible for approximately \$80 billion funds under management. FSC members are also the leading providers of KiwiSaver funds and include the default providers.

A list of members is attached.

1.2 This submission deals solely with the Supplementary Order Paper No.93 ("the SOP") which inserts financial reporting requirements in Part 6A of the Financial Markets Conduct Bill.

1.3 Our concern is with the reduction in the timing for lodgement of financial statements, in particular for life insurers.

2. Recommendation

2.1 The FSC recommends that clause 87 of the SOP which inserts new subpart 3A Amendments to Financial Markets Conduct Act 2011 should be amended to remove the references to a reduced timing of 3 months and 20 days in sub clauses 446K and 446M and replace them with the current timing which is 5 months and 20 days.

3. Timing for Lodgement of Financial Statements

3.1 Currently financial service providers, including licensed insurers, are required to complete financial statements within 5 months of the end of their financial year and lodge them with the Companies Office within another 20 days.

3.2 The SOP amends Part 6 of the Financial Markets Conduct Bill to require reporting entities to complete financial statements within 3 months of the end of their financial year and lodge them with the Registrar within another 20 days.

- 3.3 This amendment also applies to 'licensed insurers' and FSC members have expressed concern that the reduced filing time will potentially create a problem as a result of the additional requirement in section 77 of the Insurance (Prudential Supervision) Act 2010 for the financial statements of a licensed insurer to include actuarial information.
- 3.4 While we accept that the financial statements are an essential tool we do not believe that governance or supervision would necessarily be improved by reducing the time available for statements to be filed. The current legislation allows the Financial Markets Authority and/or the Reserve Bank to request earlier information in the event that there are any concerns.
- 3.5 The shorter timeframes will put pressure on the available actuarial and auditing resources and inevitably increase costs without increasing the benefits to consumers. We note that the shortened timeframe is likely to increase the resource bottlenecks at certain times of the year, for example the 31 March balance date of KiwiSaver schemes.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Peter Neilson', written in a cursive style.

Peter Neilson
CHIEF EXECUTIVE

List of FSC Members

FSC Members

Accident Compensation Corporation
AIA NZ
AMP Financial Services
ANZ Bank
Asteron Life Ltd
BNZ Insurance
CIGNA Life Insurance NZ Ltd
Fidelity Life Assurance Co Ltd
FNZ
Gen Re LifeHealth
Hannover Life Re of Australasia Ltd
Kiwibank Ltd
Mercer
Munich Reinsurance Co of Australasia Ltd
Partners Life
Pinnacle Life
Public Trust
RGA Reinsurance Co. of Australia Ltd
Sovereign Ltd
Swiss Re Life & Health Australia Ltd
TOWER New Zealand
Westpac Bank

Associate Members

Bell Gully
BNP Paribas
Bravura Solutions
Burrowes & Co
Chapman Tripp
Davies Financial & Actuarial Ltd
Deloitte
DLA Phillips Fox
Ernst & Young
KPMG
Kensington Swan
Melville Jessup Weaver
Minter Ellison Rudd Watts Lawyers
Morningstar Research Ltd
PricewaterhouseCoopers
Russell McVeagh
Trustees Executors Ltd